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# COST and MANAGEMENT

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JULY - AUGUST - 1949

## SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF CANADA

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#### 1949 - 1950

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gan Falls.

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Assistant Secretary-Treasurer and Registrar: G. B. Clarke, Haskell, Elderkin &

Company, Montreal.

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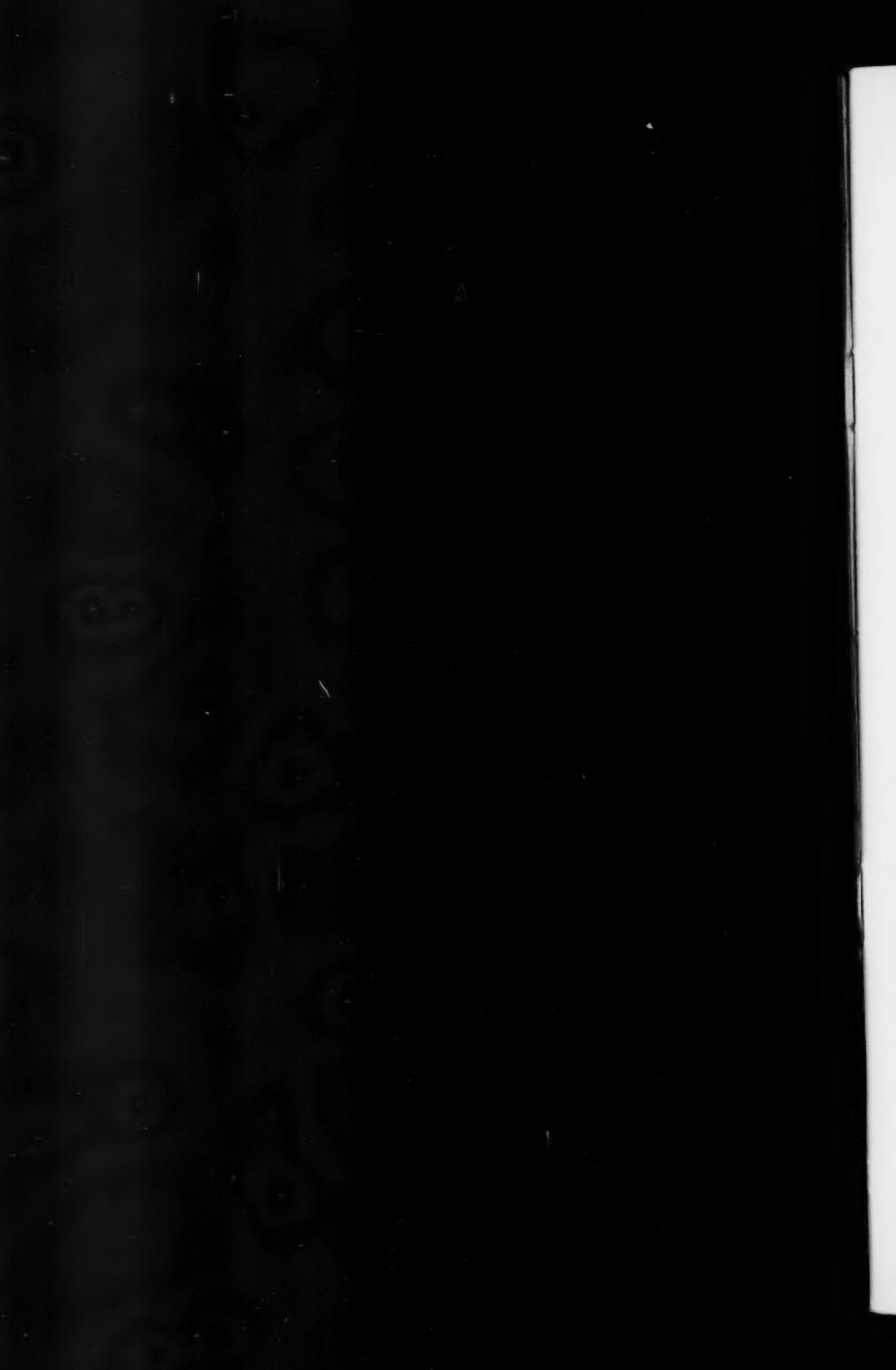
#### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF SASKATCHEWAN

President: A. Stewart, R.I.A., Burns & Co. Ltd., Regina.

Vice-President: A. J. Newmark, R.I.A., Rex Fruit Wholesale, Moose Jaw.

Secretary-Treasurer: R. B. Vanlderstine, R.I.A., The Leader-Post Ltd., Regina.





# COST *and* MANAGEMENT

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J. N. Allan, R.I.A., Secretary-Manager and Editor

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## .. CONTENTS ..



SOCIETY NOTES .....	210
EXAMINATION RESULTS .....	214
NEW MEMBERS .....	221
PERSONALS .....	223
COST REDUCTION THROUGH COST CONTROL .....	225
EFFICIENT MANAGEMENT THROUGH COST CONTROL	236



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# SOCIETY NOTES

## Report on the 29th Annual Meeting

The 29th Annual Meeting of the Society of Industrial and Cost Accountants of Canada held in Banff Springs, Alberta, on July the 8th and 9th is now an event of the past, but it will long remain in the memories of those who were fortunate enough to be in attendance.

Our host, the Alberta Society, under the general direction of the President, T. R. Humphries, had spent many months in preparation for this event, and the visitors witnessed, through many thrilling experiences, what careful planning and organization combined with gracious Western hospitality can do. To Convention Manager, R. R. "Bob" Gibb, and to Walter Nobbs in charge of reservations, we pay our sincere tribute for a grand job completed and carried out under very difficult circumstances. The delegates got down to serious business promptly at 9.00 o'clock Friday morning when President D. R. Harrison called the Directors' Meeting to order. Through this meeting and the Annual Meeting in the afternoon, advantage was taken of every minute to discuss the business of the Organization. Ten reports were presented and discussed in detail and out of the discussions of these reports, many resolutions of far-reaching importance were passed. After cocktails in the Banff Springs Hotel, members and their wives were transported to Mount Norquay Ski Lodge for the Annual Dinner. The ride itself was a thrilling experience, as it negotiated the many sharp hair pin turns in making the steep ascent of 2,500 feet to the Lodge. One soon understood the reason for the warnings given that no one was to drive their own car to the Lodge. The Annual Dinner, being a little more informal than customary in keeping with the spirit of the occasion and surroundings, was a most interesting affair. The highlight of the evening was a talk given by Mr. Vallance, K.C., President of the Alpine Club of Canada. Mr. Vallance projected on to a screen many beautiful colour-pictures of the mountains which had been taken from points of vantage gained only after climbing to the top of some of the highest peaks. The colourful scenes only accentuated his own picturesque commentary which kept everyone in a state of keen anticipation of that which was to be seen next.

Another interesting event on the programme was the presentation of an engraved silver salver to Mr. D. R. Harrison and an orchid corsage together with a pearl necklace to Mrs. Harrison. Before the conclusion of the dinner Bob Gibb took the floor and presented white Stetsons to D. R. Harrison, C. P. Dumas and J. N. Allan in preparation for their visit to Calgary and the Stampede. Of particular interest on this occasion was the presence of six of our Past Presidents in the persons of H. P. Wright, D. R. Patton, P. W. Wright, H. M. Hetherington, Geo. Appleton and J. A. Tupper.

## SOCIETY NOTES

Saturday morning the incoming Board of Directors met to elect the Officers and to discuss the business for the coming year. The luncheon was rather a unique outing in the form of a picnic at Lake Minnewanka. Here, in a colourful ceremony, the new President, Charlie Dumas, was inducted as Chief of the Sica Tribe replete with a head-dress, robe, and symbol of his high office in the form of a tomahawk. A number of the party went on a hike or a cruise on the lake while the members of the Coordinating Educational Committee returned to the hotel to tackle a very heavy agenda. This meeting had to be adjourned at 6.30 Saturday evening and was resumed at 8.00 o'clock Sunday morning, winding up two hours later.

Throughout the four meetings held, there was one thing that stood out foremost: Although the delegates present represented in effect six separate Provincial Organizations, there was a complete readiness to concede points of argument for the sake of uniformity in the attainment of our objective. Some of the more important decisions reached are as follows:

### **Finances**

In a rapidly growing organization there are many problems and the matter of financing is always one of the most complex. It was decided that there should be no increase in fees for this year, but that our revenues should be increased from an enlarged membership.

### **Publication**

It was agreed that certain changes in Cost and Management should be made as recommended by the Publication Committee. The proposed changes will affect the cover, and allocation of the space for different departments of the magazine in order to permit more space for technical matter.

### **Membership**

A membership campaign will be conducted throughout the Dominion aimed chiefly at a substantial increase in our general membership. Mr. Charlie Warnes of Toronto was appointed to head the Membership Extension Campaign.

### **Public Relations**

A Public Relations programme is to be carried out under the direction of Mr. Norman Terry of Vancouver.

### **Education**

Every consideration was given to developing a different procedure for marking examination papers with a view to reducing the time required for releasing the final results, but at the same time maintaining a uniform high standard of marking. Discussions also covered recommendations concerning exemptions, contents of thesis, and revision of courses, etc., which will be placed before the various Provincial Educational Committees for ratification.

While the business sessions were taking place the ladies enjoyed a well planned programme which took them on a tour of points of interest around the town of Banff and a trip to Johnson's Canyon. Every advantage was taken of the beautiful weather and the wealth of scenery

## COST AND MANAGEMENT

to provide the ladies with entertainment that could not be offered anywhere else.

To Mrs. Gibb, Mrs. Nobbs and the members of their committee, we offer our sincere thanks for their important contribution to the outstanding success of our annual meeting.

The climax was reached with a dinner and dance in the Banff Springs Hotel on Saturday night. Coming at the close of two days of successful meetings and delightful entertainment, it was a very fitting finale, leaving everyone completely happy with all that had transpired.

For the party from Ontario and Quebec, the stay in Banff was the major event in a tour which lasted nineteen days.

The itinerary included a visit with seven of the Western Chapters, and the reception tendered by the members and their ladies of each of the Chapters left the visitors somewhat breathless. The luncheons and dinners at each point were delightfully informal, providing the maximum opportunity for the members and their ladies from the east and west to become well acquainted.

Each day there was a different form of entertainment that provided a succession of thrilling experiences. There was the visit to the Leduc Oil Fields outside of Edmonton where the party could see drilling operations in progress. During the brief stop-over in Jasper, the party was able to see Mt. Edith Cavell with its mantle of white glistening in the bright sun, and to have dinner in the enchanting atmosphere of Jasper Park Lodge. While we were late for the planned luncheon in Vancouver, we had a most enjoyable dinner with the Vancouver Chapter at Stanley Park followed by a visit to the Theatre Under the Stars to see a very fine performance of "Roberta". The Victoria Chapter arranged a most interesting tour that took us up the Malahat, with its awe-inspiring views and back to Butchart's Gardens which never fails to delight the visitor with its riot of colour and great variety of plants, flowers and trees. Back in Vancouver there was a tour of the city with luncheon at White Cliff House overlooking the city.

Following the Annual Meeting at Banff there was the excitement of the opening day of the Calgary Stampede, with its parade, rodeo contests, chuck wagon races and the grandstand performance. In complete contrast there followed the visit to the farms of Mrs. Elinor Williams, Mrs. E. Frank Williams and Mr. H. Petersmeyer & Sons in the peaceful expanse of the prairies outside Regina. Sitting on the broad shady lawns, surrounded by beautiful gardens and enjoying the refreshments that were served at each home, we could not help but feel that here was life at its best.

In Winnipeg the party was taken on a tour of the city followed by a grand luncheon as guests of the Hudson's Bay Store. The Great West Life Assurance Co. entertained the party in the afternoon by a conducted tour of the offices and afternoon tea in their modern and charmingly decorated cafeteria. The final touch to a very eventful tour was given in Port Arthur and Fort William by a trip to Kakebcka Falls for luncheon and a cruise on the Thunder Bay as the guests of

## SOCIETY NOTES

Mr. Don Clarke, one of our most recent members, followed by a dinner and dance at the Golf Club.

Space and words are simply not adequate to do justice to a vivid description of all the delightful events that took place, or to pay full tribute individually to all those who contributed so much to the success of the Annual Meeting and the tour. We can only say to our hosts and hostesses at the Annual Meeting in Banff, to the officers of the Chapters visited and their wives, and to all who worked so hard and contributed so much to the success of this memorable event, a sincere thank you.

We would be remiss if we did not record our sincere appreciation to the agents of the Canadian National and Canadian Pacific Railways in Montreal, Toronto, Hamilton and each city visited, who co-operated so effectively in making the necessary arrangements and kept in constant contact with us to make certain that everything was operating according to schedule.

### OFFICERS ELECTED FOR 1949-1950

<b>President</b>	- - -	C. P. Dumas, M.C.I., R.I.A., Montreal
<b>1st Vice-President</b>	- - -	N. Terry, C.G.A., R.I.A., Vancouver
<b>2nd Vice-President</b>	- - -	J. B. Tennant, R.I.A., Windsor
<b>3rd Vice-President</b>	- - -	W. H. Blunt, C.A., R.I.A., Montreal
<b>Honorary Secretary</b>	- - -	J. B. Whelihan, R.I.A., Edmonton
<b>Honorary Treasurer</b>	- - -	G. I. MacKenzie, R.I.A., Toronto

### CHAIRMEN OF STANDING COMMITTEES FOR 1949-1950

<b>Publications</b>	- - -	W. J. McCreight, C.A., R.I.A., Toronto
<b>Research</b>	- - -	L. W. Bennett, R.I.A., Toronto
<b>Co-ordinating</b>		
<b>Educational</b>	- - -	D. R. Patton, B.Com., C.A., R.I.A., Montreal
<b>Legislation</b>	- - -	H. M. Hetherington, R.I.A., Toronto
<b>Public Relations</b>	- - -	N. Terry, C.G.A., R.I.A., Vancouver
<b>Budget and Finance</b>	- - -	N. Terry, C.G.A., R.I.A., Vancouver

### CANADA YEAR BOOK

It has just been announced by the Department of Trade and Commerce that the 1948-49 edition of the Canada Year Book is now available for distribution. This publication is obtainable from the King's Printer, Ottawa, at the price of \$2.00 per copy.

It is with much regret that we announce the passing of Mr. William Carswell, C.A., R.I.A., Vice-President, Northern Electric Company Limited, Montreal. Mr. Carswell had maintained a continuous membership in our Society since its organization in 1920 and played a very active part in its early history. He was the third President of the Society, holding office during the term 1925-26.

## COST AND MANAGEMENT

### Examination Results

In the 1949 Examinations of the Society, the following students obtained pass standing in the subjects listed:

#### ACCOUNTING I

#### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Barry, E. K.	Fiorentino, F.	Reed, C. K.
Beauchamp, G. D.	Freeman, H.	Richardson, A. W.
Bennington, J.	Fobes, F. F.	Roseborough, A. W.
Bouwmeester, J.	Gainor, R. D.	Robbins, H. J.
Brown, H.	Garside, G. E.	Scott, G. P.
Brownoff, N. L.	Hawkes, M. G.	Streadwick, G.
Caddel, J. G.	Hill, K. F.	Thomas, S. H.
Cathro, D.	Howe, N. S.	Troock, D.
Cheston, S.	Innes, C. R.	Van Beem, C.
Clark, G. R.	Ireson, W. C.	Warner, H.
Cooper, R.	Jaye, W. C.	Wilkins, F.
Currie, R.	Lewis, F. N.	Wood, L. A.
Diamond, T. M.	Mazuryk, W.	
Enderton, F. H.	Patterson, E.	

#### THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF BRITISH COLUMBIA

Allman, J. C.	Greenan, J.	McBratney, J.
Berikoff, J.	Gregory, M.	Mylet, G.
Brock, H. G.	Harvey, W. H.	Oddson, A. S.
Dean, V.	Hinton, P. R.	Stephens, D. H.
Feilden, J. K.	Holme, D.	Wilson, L. F.
Florence, N. G.	Judd, S.	Western, R. M.
Fox, D. H.	Mallett, F. J.	

#### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Benson, R. E.	Knowles, G.	Sohor, S.
Crowston, E.	Lambrecht, M. J.	Stainton, W.
Danes, S.	Lane, J. A.	Walker, T. E.
Derco, J.	Marshall, M. H.	Williamson, G.
Ehn, E.	McKelvie, E. S.	Yeats, G. R.
Friend, R. L.	Patrick, T.	Zacharuk, W.
Jarrard, W. J.	Schwartz, J.	
Jefferies, A. D.	Shearer, H. E.	

#### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Alderson, A. W.	Bell, G. L.	Boomsluiter, W.
Barnes, C. B.	Black, R. W.	Britten, I.
Barnett, D. E.	Blackwell, K. E.	Brown, C. W.
Beagle, B. J.	Blakeley, W. A.	Brown, H.

## EXAMINATION RESULTS

### The Society of Industrial and Cost Accountants of Ontario — Continued

Burling, J. E.	Good, H.	Pattison, R. A.
Caddo, C. R.	Grace, M. W.	Pattyson, E. A.
Campbell, J. C.	Greer, R. T.	Paula, Sister M.
Chadder, R. E.	Gregg, J. L.	Penman, T. F.
Chappell, T. E.	Hancock, C. L.	Purdon, J. C.
Church, J. M.	Hartviksen, R. J.	Rickards, R. F.
Conway, A. A.	Haskell, J. B.	Saxberg, R. N.
Cooke, R.	Heywood, J. W.	Sellers, E. G.
Craven, J. S.	Hirst, J. T.	Shaffer, H.
Cronin, J. E.	Holland, C. A.	Sloan, F. D.
Cross, N. S.	Howie, S.	Spencer, F. J.
Dacey, D.	Humphrey, J. F.	Squier, F. R.
Dekker, H. J.	Innes, E. J.	Stacey, R. M.
Drombolis, M.	Jenkins, Mrs. M.	Ulch, E. C.
Dumoulin, E.	Kamo, H.	VanHatten, E.
Esse, W.	King, W. N.	Verhelst, R.
Fawcett, J. E.	Lagg, A.	Warden, W. G.
Fleming, D. A.	Lemiski, N. L.	West, G.
Flynn, M. R.	Limbrick, D. H.	White, G. H.
Fors, P. B.	Lundy, H. F.	Williams, L. H.
Fuller, H.	MacLean, A.	Wills, R. C.
Funamato, G. W.	MacMillan M.	Winney, J. T.
Gervis, D. A.	Masson, J. A.	Wright, O.
Gibson, F. W.	Mead, J. F.	
Globe, S. R.	Mitchell, G. C.	

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Duplessis, J. R.	Gosselin, J. A.	Paterson, A. B.
Dussault, J. R.	Grenier, G.	Pellerin, H.
Duval, F.	Iorio, D. M.	Pelletier, J.
Frechette, M.	Jeffrey, P.	Robichaud, W.
Gabanna, A.	Julien, Alice	Rocheleau, R.
Gariepy, G.	Lemire, L.	Vallee, Jean
Girard, Henriette	Massicotte, Jacqueline	Williams, M.

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF SASKATCHEWAN

Currie, E.

## ACCOUNTING II

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Fletcher, J. G.	Leys, R.	Trickey, J.
Lang, C. F.	Reid, D.	

## COST AND MANAGEMENT

### THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF BRITISH COLUMBIA

Burr, A. T.	Hutchinson, J.	Somerville, W. R.
Culbert, G. A.	Kitchener, W. I.	Wallace, J. J.
Douglas, R.	Lawrence, W.	Western, R. M.
Ferris, B.	Mavor, G. T.	

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Argue, E. C.	Keeping, K. R.	Syme, R.
Buechler, J.	Mitchell, W. G.	Trager, F.
Caskey, A. S.	Moore, W.	Turner, H. R.
Cherrett, W. G.	Pitcairn, B.	Turner, R. J.
Ewart, S. R.	Rayfield, F. E.	Wootton, R. W.
Ewart, T.	Redshaw, R. A.	Young, K.
Heaton, G. A.	Riddell, L.	Zachhoun, E. A.
Howes, M. R.	Shorten, H. G.	
Howland, H. E.	Smith, S. E.	

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Atkinson, R. C.	Ellis, T. L.	Park, T. C.
Barber, A. R.	Fitzmaurice, M. J.	Purdon, J. C.
Beatty, D. H.	Hiscock, R. J.	Read, D. S.
Beck, A. S.	Kyle, V. D.	Riddell, J. A.
Berlet, F.	Laing, J.	Sinclair, C.
Cheshire, C. T.	Lamont, J.	Stock, T.
Cross, N. S.	Lucas, H. R.	Tusch, J. A.
Dawson, L. G.	MacBride, J. M.	Warden, G. C.
Doerr, J. G.	Marchen, R. F.	Wilson, W. A.
Duncan, J. L.	Owen, A.	Wood, E.

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Beaudin, M.	Hamilton, H. W.	Lemire, L.
Blouin, P.	Heon, A. H.	Munroe, J. W.
Campbell, D. M.	Leclerc, G.	Robichaud, G.
Duplessis, J. R.	Lafreniere, N.	Rose, T. B.
Ebbitt, J. A.	Lamarche, R.	Shutt, D. G.

## BUSINESS MATHEMATICS

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Armstrong, A. C.	Cathro, D. G.	Lewis, F. N.
Barnett, K. E.	Clark, G. R.	Mazuryk, W.
Barry, E. K.	Cooper, R.	Richardson, A. W.
Beauchamp, G. D.	Garside, G.	Robbins, H. J.
Bennington, J.	Hill, R. H.	Shipper, P. E.
Brownoff, N. L.	Hillenberg, E. M.	Stephens, K. A.
Brown, H.	Jaye, W. C.	Wood, L. A.
Buick, R. M.	Johnson, C. A.	

## EXAMINATION RESULTS

### THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF BRITISH COLUMBIA

Harvey, W. H.	Morrison, D. L.	Thompson, R. L.
Humphries, R.	Nichols, K. F.	Wilson, L. F.

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Benson, R. E.	Friend, R. L.	Shearer, H. E.
Cameron, R.	Jarrard, W. J.	Stainton, W. T.
Cooper, A. R.	Jefferies, A. D.	Walker, T.
Crowston, E.	Lambrecht, M. J.	Williamson, G.
Dances, S.	McKelvie, E. S.	Yeats, G. R.
Derco, J.	Patrick, T.	

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Alderson, A. W.	Fors, P. B.	Pattison, R. A.
Atkinson, F.	Freeborn, W. A. L.	Pattyson, E. A.
Barnett, D. E.	Gibson, F. W.	Rickards, R. F.
Bell, G. L.	Graham, R. J.	Saxberg, R. N.
Boomsluiter, W.	Hancock, C. L.	Scriven, A.
Botterill, E.	Handford, R. M.	Sellers, E. G.
Caddo, C. R.	Huffman, K. C.	Shaffer, H.
Cooley, R.	Hunter, A. R.	Spencer, F. J.
Craven, J. S.	Hurlburt, G. G.	Stanfield, L.
Cross, N. S.	Innes, E. J. S.	Taylor, F. F.
Currie, A. J.	King, W. N.	VanHatten, E.
Dacey, D.	Kyle, V. D.	Warden, W. G.
Davis, B. J.	Lamont, J.	White, J. W.
Dool, J. L.	Logan, M. H.	Williams, L. H.
Drombolis, M.	MacMillan, M.	Wise, F. A.
Fawcett, J. E.	Masson, J. A.	Wright, O.
Fleming, D. A.	Morrow, M. R.	

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

Bougie, G.	Girard, L.	Joyce, J. C.
Gariepy, G.	Hamilton, H.	Vallee, Jean

### ADVANCED COST ACCOUNTING

#### PAPERS 1 AND 2

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Lawrence, S. R.	MacDonald, D. A.
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### THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF BRITISH COLUMBIA

Avery, L. E.	Dawson, L. R.	Kennedy, T. A.
Cummings, J.	Jensen, F. M.	Smith, R. H.

## COST AND MANAGEMENT

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

Baxter, C. E.	Oikawa, R.	Smith, W. F.
Booth, W. H.	Pakrul, H. A.	Thompson, A. R.
Huffman, K. C.	Pothier, M. J.	Wallace, J. H.
Innes, G. L.	Reynolds, J. M.	West, A.
Nadorozny, S. J.	Scott, E. W.	Young, E. G.

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF QUEBEC

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Boisseau, G.	Gagnon, G.	Michaud, J. L.
Bouffard, J. C.	Girard, L.	Moreau, P. E.
Boulet, R.	Greer, F. R.	Morris, S.
Brown, G.	Halfhide, M.	Mottard, A.
Bureau, G.	Hunting, A. R.	Phendler, F. J. P.
Cameron, S. M.	Jobin, H.	Pow, B. W.
Casgrain, R.	Kirouac, R.	Rainville, S. P.
Champoux, B.	Langlois, P. E.	Rheault, G.
Cloutier, J.	La Tour, J.	Roberge, P.
Cohen, S. J.	Lavoie, L.	Ruel, G.
Dorais, R.	Leclerc, L.	St. Pierre, W. M.
Drodge, G. M.	Lessard, G. A. A.	Trainor, G. W.
Duquet, R.	MacDougall, J. G.	Turgeon, F.
Dussault, G.	Martin, G.	Vaillancourt, P.
East, J. C.	Martin, J. A.	
Ellison, L.	Mathieu, J. P.	

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Peach, S. R.	Taylor, G. W.	

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Buechler, J.	McElroy, J. E.	Smith, S. E.
Cherrett, W. G.	Mitchell, W. G.	Trager, F.
Ewart, S. R.	Moore, W.	Turner, H. R.
Ewart, T.	Pitcairn, B.	Turner, R. J.
Heaton, G. A.	Rayfield, F. E.	Wootton, R. W.
Howes, M. R.	Redshaw, K. A.	Young, K.
Keeping, K. R.	Riddell, G. L. F.	

## EXAMINATION RESULTS

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Capper, M. A.	Frederickson, C. F.	Read, D. S.
Cooley, R.	Gordon, K. B.	Stock, T.
Correll, E.	Harris, T. V.	Tusch, J. A.
Dawson, L. G.	Kidd, K. A.	Warden, G. C.
Doerr, J. G.	Lloyd, B. J.	Watson, A.
Donnelly, B. P.	Logan, H.	Watt, M. F.
Dool, J. L.	Lyon, H. G.	Wilson, W. A.
Dowsett, H. M.	Michener, N. K.	Winn, J.
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Boisseau, G.	Epstein, L. E.	Michaud, J. L.
Bouffard, C.	Gagnon, G.	Miller, D. H.
Bouffard, J. C.	Gauvin, A.	Moreau, P. E.
Breton, F.	Gourdeau, P.	Morris, S.
Brousseau, R.	Hallee, P. E.	Mottard, A.
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Bureau, G.	Hebert, P.	Plamondon, R.
Campbell, D. M.	Huot, P. E.	Rainville, S. P.
Casgrain, R.	Jobin, H.	Redfearn, G. G.
Champoux, B.	Kirouac, R.	Rheault, G.
Chestney, B.	Langlois, P. E.	Richard, J. G.
Clarkson, P.	La Tour, J.	Roberge, P.
Cloutier, J.	Lavoie, L.	Ruel, G.
Collette, R.	Leclerc, L.	Scully, J. G.
Desjardins, H.	Lessard, G. A. A.	Turgeon, F.
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Dodge, G. M.	Martin, G.	Veillette, G.
Dubuc, L. L.	Martin, Guy	
Duquet, R.	Mathieu, J. P.	

### INDUSTRIAL ORGANIZATION AND MANAGEMENT THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ALBERTA

Johnson, R. H.

### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF MANITOBA

Rodger, J. F. C.

## COST AND MANAGEMENT

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Booth, W. H.	Logan, J.	Riddell, J. A.
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Crockett, J. M.	Nadorozny, S. J.	Smith, C. M.
Elliott, G. A.	Perkin, E. R.	Stock, H. O.
Harris, T. V.	Powell, D. K.	

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Baird, G. W.	Epstein, L. F.	Miller, D. H.
Berry, R. R.	Fitzpatrick, J. W.	Morris, S.
Bignell, D. C.	Gagnon, G.	Mottard, A.
Black, W. H.	Gagnon, M.	Owen, J. D.
Blais, R.	Halfhide, Miss M. E.	Phandler, F. J.
Boisneau, G.	Hallee, P. E.	Plamondon, R.
Bouffard, C.	Hopcraft, B. J. V.	Proulx, L. L.
Bouffard, J. C.	Hunting, A. R.	Rainville, S. P.
Boulet, R.	Jolin, H.	Rheault, G.
Breton, F.	Kirouac, R.	Roberge, P.
Brown, G.	Langlois, P. E.	Rosoph, S.
Bureau, G.	La Tour, J.	Ruel, G.
Campbell, D. M.	Lavoie, L.	Scully, G. V.
Casgrain, R.	Leclerc, L.	Sears, K. H.
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Cohen, S. J.	Lessard, G. A. A.	Trainor, G. W.
Cook, M.	Martin, G.	Vaillancourt, P.
Corriveau, D.	Masterson, T. G.	Walker, J. R.
Drapeau, J.	Mathieu, J. P.	Willows, F.
Drennan, D. H.	Matteau, G.	
Duquet, R.	McKenzie, A. W.	

## INDUSTRIAL LEGISLATION

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Johnson, R. H.	Lawrence, S. B.
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### THE SOCIETY OF INDUSTRIAL ACCOUNTANTS OF BRITISH COLUMBIA

Hards, Wm.	Humphries, R.
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### THE SOCIETY OF INDUSTRIAL AND COST ACCOUNTANTS OF ONTARIO

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Black, E. G.	Hobbs, G.	Stock, H. O.
Brown, H.	Laternoey, D.	Woodley, J. M.
Bullen, G.	Nadorozny, S. I.	
Buttimer, W. C.	Scott, E. W.	

## NEW MEMBERS

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Boisneau, G.	Gagnon, G.	Mathieu, J. P.
Boudreau, L.	Genest, E.	Matteau, G.
Bouffard, C.	Girard, L.	Michaud, J. L.
Bouffard, J. C.	Gourdeau, P.	Mottard, A.
Brown, G.	Jobin, H.	Plamondon, R.
Bureau, G.	Kirouac, R.	Rainville, S. P.
Casgrain, R.	Langlois, P. E.	Rheault, G.
Champoux, B.	La Tour, J.	Roberge, P.
Cloutier, J.	Lavoie, L.	Simard, P.
Dorais, R.	Leclerc, L.	Turgeon, F.
Duquet, R.	Lessard, G. A. A.	Vaillancourt, P.

## New Members

### Fort William-Port Arthur Chapter

B. F. Turner, Canadian Car and Foundry Company

### Hamilton Chapter

G. Moller, C.A., Robertson-Irwin Limited

### Kitchener Chapter:

H. P. LeClair, 74 First Avenue, Galt

### Lethbridge Chapter

W. W. McLellan, 823 9th Street South

### Montreal Chapter

M. C. Rosenberg, Apt. 16, 3025 Linton Ave.

E. H. Keast, 2225 Hampton Ave., Apt. 5

K. P. Farmer, McDonald, Currie & Company

D. H. Drennan, National Breweries Ltd.

P. A. Therien, Laval Specialties Ltd.

R. F. W. Botten, Belding Corticelli Ltd.

E. Chestney, 5563 3rd Avenue, Rosemount

P. Clarkson, 316 de Salaberry St., Apt. 305, St. Johns

G. Duverger, 5150 Cartier St.

J. Wozny, 4488 St. Catherine St. W.

J. W. Monroe, Riverbend

L. E. Epstein, 5311 Cote St. Luc Rd.

P. Hebert, National Breweries Ltd.

D. H. Miller, Central Y.M.C.A.

F. J. Phandler, The Holden Company

G. V. Scully, 4327 Bordeaux St.

C. A. LaRocque, 2194 Rachel St. E., Apt. 9

### Niagara Chapter

R. P. Lemay, 114 West Street, Port Colborne

J. W. Dell, 2083 Dixon St.

K. G. McKay, 1773 Main St., Apt. 2

## COST AND MANAGEMENT

### Quebec Chapter

- J. C. Bouffard, 86 Ste. Agnes St.  
P. Vaillancourt, 532 St. Therese St.  
F. Turgeon, 194 Brown St.  
G. Ruel, 57 Bowen South  
P. Roberge, 111 Ernest Gagnon  
S. P. Rainville, Kent House Hotel Ltd.  
P. E. Moreau, 61 Rue Aberdeen  
G. Moffet, 34B de L'Eglise  
G. Matteau, 761 3rd Avenue, Grandmere  
L. Leclerc, 20 Avenue Parent  
G. Rheault, 13 2nd Street, Shawinigan Falls  
D. Zaccardelli, 9½ Bourlamaque  
J. Tetu, 83 d'Auteuil  
P. Roy, 77 St. Cyrille  
L. Lavoie, Clarkson, Gordon & Company  
P. Pidgeon, 44 Moncton Ave.  
J. Vallee, 73 des Franciscans  
E. R. Plamondon, C.P. 162 St. Raymond Co. Portneuf  
Andre Mottard, 284 Richelieu St.  
R. Moore, 10 Rue Mainguy  
J. L. Michaud, Isle Verte, Riviere-du-Loup  
G. Martin, 536 Ste. Angele, Trois Rivieres  
L. L'Heureux, 83 Fraser St.  
L. Lavoie, 82 Fraser St.  
J. Lateur, 271 8th Street  
P. E. Langlois, 332 Maufils St.  
J. H. U. Jobin, 370 de Roie Street  
P. Gourdeau, 47 Deziel St., Levis  
G. Gagnon, 383 Rue Ste. Jean  
M. Fecteau, 57 Boulevard de L'Entente  
C. L. Dussault, 4 Fraser St., Levis  
J. A. R. Donis, 565 Avenue Royale, Beauport  
B. Champoux, 30 St. Amable  
G. Bureau, 11 Deligny St.  
R. Breton, 385 de la Salle St.  
G. Bougie, 8 des Franciscans  
G. Boisseau, 5 Gaudreau St., Levis  
P. E. Latouche, 2032 Royal Avenue, Courville  
J. R. Blais, Desbiens Company, Lake St. John  
F. Breton, 16 Rue Drolet  
R. Kirouac, 361 Eleventh St.  
P. E. Huot, 221 Marie Rollet St.  
G. Gariepy, 113 Grand Allee  
C. A. Gagnon, 72 Ste. Agnes St.  
J. C. East, 1031 3rd Avenue  
R. Duquet, 24 Wolfe St., Levis  
L. Dolbec, 107 St. Cyrille St.  
C. Bouffard, 265 Laurier Ave.

## PERSONALS

R. Casgrain, 189 St. Olivier St.  
G. Brown, 629 5th St.  
L. Boudreau, 42 St. Catherine St.  
J. P. Mathieu, 30 Avenue Ruel, Ville Montmorency

### St. Maurice Valley Chapter

C. L. Ricard, Canadian Resins and Chemicals Ltd., Shawinigan Falls  
J. Pelletier, Textile Weavers Ltd., Grandmere  
D. Landry, 976 5th Avenue, Shawinigan South  
J. R. Houde, Shawinigan Chemicals Ltd., Shawinigan Falls  
P. E. Hallee, 1000 5th Avenue, Grandmere  
G. Grenier, Consolidated Paper Corp., Shawinigan Falls  
A. Giacomin, Consolidated Paper Corp., Grandmere  
A. Gauvin, 460 3rd Avenue, Shawinigan South 1  
A. Gabanna, 78 Riverside, Shawinigan Falls  
M. Frechette, 2184 Boulevard Royal, Shawinigan Falls  
J. P. Denommé, Shawinigan Chemicals Ltd., Shawinigan Falls  
J. E. Daemen, 21 Hemlock Ave., Shawinigan Falls  
G. Buisson, 46A Cedar Ave., Shawinigan Falls  
R. R. Berry, 126 5th Street, Shawinigan Falls  
M. L. Beaubien, Canadian Carborundums Ltd., Shawinigan Falls  
C. S. Battle, 145 St. Marc St., Shawinigan Falls

### Toronto Chapter

D. I. Adams, 93 Chudleigh Ave.  
L. J. Zecha, 592 Danforth Ave.  
T. M. Plewes, 26 St. Joseph St.  
W. A. Craig, H. E. Cowan & Company  
W. K. Douglas, J. C. Adams Co. Ltd.

### Windsor Chapter

A. R. Davidson, Standard Machine & Tool Co. Ltd.  
L. N. Baldock, Standard Machine & Tool Co. Ltd.

## Personals

Announcement has been made of the appointment of D. M. Farish, R.I.A., comptroller of Northern Electric Co. Ltd. since 1940, as vice-president in charge of accounts and finance. Mr. Farish, who is also a director and member of the executive committee of Amalgamated Electric Corporation, is a member of the Montreal Chapter.

Announcement is also made of the appointment of S. B. Wickes as Comptroller of Northern Electric Company. Mr. Wickes previously held the position of Assistant Comptroller and is a member of the Montreal Chapter.

G. W. Scarth, R.I.A., has been appointed Executive Vice-President of Courtaulds (Canada) Limited. Mr. Scarth continues as Secretary of the Company and is a member of the Ottawa Chapter.

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COST AND MANAGEMENT

## Cost Reduction Through Cost Control

By H. A. NURRISH, C.G.A.

Controller, R. L. Crain Co. Ltd., Ottawa, Ontario

We can now quite safely conclude that business is well into that much feared period of business economy which we all have discussed and talked of for some years—namely—"The post war period of competitive business". It has required some three or four years of business transition to bring us finally to this not wholly undesirable state. Most certainly we are finding the need for realism at this time, and to the business administrator a challenge for observance of the most rigid control of overall-cost with which he has ever been faced. Some of us have perhaps faced personal experiences recently in this field. All of us, I am sure, are conscious of present day trends and problems, which certainly require the application of the latest in modern cost techniques if we are to be truly successful in facing these problems. It is not untimely, therefore, to devote ourselves to the subject, "Cost Reduction Through Cost Control".

Anyone who has been following the latest releases of corporation earnings and results, must be impressed by the fairly general pattern which earnings have followed. Some companies have shown favorably improved earnings, while a great many others show a reduction in earnings, by comparison with the previous period. The striking fact, however, has been that **"almost all companies have reported new high output levels"**.

In its issue of May 7th, The Financial Post commenting on this matter, made the following observation:

"An examination of 10 Canadian companies publishing sales figures showed that profits in 1947 represented an average of 5½c on the sales dollar. Most of them had in 1948 higher sales and an even smaller proportion of profits. Imperial Oil, for example, has just announced profits amounting to only 4.9 cents on the dollar, compared with 8 cents in 1947."

This brings home to us as analytical financial men the grim truth that the scourge of the unwary administrator is hard at work—"the high break-even point". Don't be misled by lush profits which result from unusually large sales volume. A small drop in volume might very substantially change the picture. This is the point at which the cost control officer must assume his role to the fullest degree and justify the trust which rests with him.

I would not want you to understand from these remarks that the only reason for the cost accountant and a program of cost reduction is "economic survival of the corporate state". There are others, not the least of which is to contribute towards his company's effort in properly serving the public and the country at large in maintaining and, if possible, improving the standard of living. These principles are not at all unrelated. If over the years to come, we as cost accountants are unable to achieve success in this economic cycle we simply invite, ultimately,

## COST AND MANAGEMENT

some form of complete government control with government established ceilings on everything made, together with government furnished subsidies to the manufacturer or contractor, at least as long as public funds are available . . . yes, cost reduction is a real challenge.

Costs and competition are at the heart of anybody's problem in business today. "For the first time since the start of the war, manufacturers are more worried about cutting costs than hitting production targets." (Business Week—recent issue.)

There are half a dozen common approaches to cost trimming:—Redesigning product, installing more efficient machinery, eliminating overtime by better scheduling, reducing material costs, cutting inventories, increasing production and tightening control over expenditures up and down the line, including office overhead, as well as direct factory costs.

Cost accounting is not a matter of looking only at the total result of a year's work but also of the day by day's. Neither are businesses operated for the benefit of records, but records for business. No business, however small, should be content unless it knows just what profit each department is making. The difference between income and cost in any department shows the margin of safety at which that department is operating, and the total will show the margin of safety for the business. For example, if total income were \$125,000, and costs amounted to \$100,000, we should know that the business is 25 per cent over its break-even point, and we had that much lee-way.

It is necessary to make everyone in the business cost-conscious, and this can be done by showing them that in the long run they serve themselves best by serving the company well. The saving made through the prevention of mistakes, through the elimination of waste, and through increasing production, will show up in the operating statements. It is on this result that the company decides to expand or contract, and whether it can pay more or less in wages and salaries.

The path of business is littered with the wreckage of companies that have failed to keep account of their costs in relation to their products. Keeping records may be a nuisance, but so are many of the other things required in running a business or managing a home. Adequate records make available to management the lessons of the past, and enable them to project results into the future. They increase the scope and number of warnings. They show up wastes. Intelligent, close, and detailed use of the results of a good cost system as the basis for research leads to an accomplishment of an effective program of cost reduction.

It may be impossible to eliminate all waste, but everyone has something to learn about the value of trying. The following illustration has been used publicly in the past. When the Forty-niners panned gold in California they rejected any ground that did not contain \$20.00 of gold to the cubic yard: invention of the cradle made \$5.00 dirt profitable; the sluice box made \$1.00 dirt worth while, and in hydraulic mining the value may be as low as five cents to the cubic yard.

That kind of waste-elimination is brought about by initiative in inventing better ways of doing things. There is another kind of waste,

## COST REDUCTION THROUGH COST CONTROL

more common, which is due to sheer carelessness or irresponsibility. Emerson tells in his book on the "Twelve Principles of Efficiency" about an engineer who poured out a gallon of 40-cent oil in order to have the tinsmith solder a leak in the 15-cent can. A transcontinental railway in the United States eliminated a gravity grade at a cost of \$5 million, saddling itself with a fixed charge of \$1,000 a day for nearly 15 years. The operating cost of the helper engines able to handle all the traffic up that grade did not exceed \$100 a day.

From these simple illustrations we must conclude that the responsibility of the cost control officer is great, and today still provides the greatest challenge ever thrown to him. Cost reduction is imperative and really just the application of common sense reasoning and methods.

### COST REDUCTION BY COST CONTROL!

#### WHAT IS COST CONTROL?

The May 15th, 1946, bulletin of the National Association of Cost Accountants in speaking of this said "the control of cost involves the adoption of standards of comparison. Usually the best procedure is a pre-determination of what costs should be and a comparison of actual costs with the predetermined standards. Control is achieved through efforts to keep actual cost in line with predetermined standards and by comparison of actual costs with these standards to reveal out of line performance in order that steps may be taken to remove the causes."

Cost control therefore implies that an adequate and modern system of cost standards and of recording of costs must be in operation. I think I can safely say that by far the greater number of the up-to-date cost installations in operation or being currently contemplated in this country are on the basis of "standard costs", some of which may also include a structure of "flexible budgets".

In a recent study made by the research and technical department of the National Association of Cost Accountants covering 325 companies, a little more than 50% reported using standard costs in one form or another.

While "actual costs" or "historical costs" perhaps have their place under certain circumstances or at certain stages in the evolution of your cost system, by and large, they do not today provide you with the "tools of operation" which you require at your command. Cost records must be quickly translated into action where such action is required in order to stem an unfavourable cost trend. Actual or historical costs, as a rule, provide little or no "control information".

A statement of cost for cost control purposes should be made "in relation to" or "against" a standard or budget, not against any performance for a previous accounting period. The latter, while interesting to see, provides no real basis of comparison and no true yardstick of measurement. Making a comparison against a previous period which shows that an improved \$2,000 profit has resulted as against \$1,000 for the previous period is quite misleading if the fact remains that the proper profit under the circumstances should have been \$10,000.

## COST AND MANAGEMENT

Standard costs are the only true unit product costs. Standard costs are based upon carefully predetermined allowances for all elements of cost. Materials, quantities, and prices; direct labour hours and rates; fixed and variable expenses at normal activity. These standard costs must be constantly checked for accuracy.

Standard costs of products include only the charges which are incorporated in the budget for producing and selling the product. All other expenditures arise from errors in judgment, set-ups, organization and performance. Such expenses have no place in the costs of the product. They represent, and are calculated as, deductions from obtainable profits. It is management's job to discover excess expenses wherever they may exist.

No other costing method succeeds in doing this for in purporting to set forth the actual cost of the products during the passage of lots or jobs as they pass through the operations of production and selling, not only the legitimate material, labour and expenses, but all the excess costs are collected as well. The results obtainable by attempting to use so-called actual costs, or real costs, or job costs, are of no value in assisting management to locate the cause of excesses.

For example, if material is spoiled or used in excess, or the workman is slow and incompetent, or if expenses of various kinds are excessive, all these inefficiencies cause increases above the proper cost. How, then, may we call the composite result the actual or true cost of the product? Is not such a cost of products fictitious and untrue? Standard costs exclude all such excesses, calculating them as the cost of mismanagement.

### WHERE AND WHEN ARE COSTS CONTROLLED?

Cost control must be exercised at the point where costs or charges begin. Wherever the physical operation or condition which originates the charge exists—that is the point of control. Cost can only be controlled, and therefore reduced at the point where it is incurred. This is a basic principle.

You control cost at the time of the physical action or movement or not at all. The value of cost control information is directly related to the speed with which it is made available. A brief report on yesterday's trends today is of infinitely greater value than a most comprehensive report six weeks from now. By that time the contributing factors and influences will be forgotten or shadowed by subsequent developments. Too many other problems pour in upon all of our minds during that intervening period.

### WHO SHOULD CONTROL COSTS?

I do not believe that any answer is required for that question, because there should be no question as to who is responsible for controlling costs. Costs are an operating problem. They can only be controlled by operating personnel. Cost reports are simply a means to an end—not the end. The cost accountant or the comptroller are factual direction finders and the prime movers in any concerted plan for cost

## COST REDUCTION THROUGH COST CONTROL

reduction. No cost report or analysis has ever been devised that will in itself run a business or reduce operating costs. The men responsible for the operations must do that. Good cost reports will vividly point up the out-of-line conditions and the cost centre responsible. The object of cost control is to do something about the unfavourable variances.

The cost accountant, however, can and must be the keystone in any broad and sensible scheme of cost control. He must not only have a thorough understanding of the operating problems—he must also be capable of appreciating the point-of-view of the operating group. Otherwise his reports could become biased and unbalanced in the point of emphasis. He must be capable of preparing reports devoid of technical accounting terms so that they are readily understood by all necessary personnel and so readily acted upon. Complete co-operation and respect on the part of the operating management is a **must**. Proper cost control education on the part of both groups—cost and operating—is essential to this end. The cost accountant along with his assisting staff is the focal point for the start of any cost reduction plan that is to develop from a plan of cost control.

## HOW ARE COSTS TO BE CONTROLLED?

This might well be termed the \$64.00 question. Every business has its own peculiarities and local influences. Specifically—no one cost program can possibly be cited to provide a ready answer to all problems. The resourcefulness, ingenuity and initiative of each of us in our approaches to our problems will of course tremendously affect the results which can be reasonably expected to be achieved.

However, from a strictly technical point of view there are some principles which can guide every one of us. Out of the multitude of methods in use to control costs to varying degrees, which range all the way from sheer guesswork to highly developed scientific techniques, two general methods would seem to evolve.

1. The first would be the non-accounting method. In this approach, engineering and mechanical methods, incentive plans, job analysis, operating "know-how", and even technical studies aimed at cost reduction come into play. This approach, of course, is the one which will likely develop from the non-accounting or operating group in the organization.
2. The second category employs the accounting approach. It will involve a co-ordinated system of comparison which will bring irresistible pressure to bear to maintain efficiencies, ferret out and expose variances and trend changes and which will funnel management's efforts at control into those spots that "require" attention rather than spreading efforts over a broad field on a somewhat hit or miss basis.

It has already been pointed out that the actual job of bringing variances under control, reducing cost, is a non-accounting task, one for the operating group. This being so, it does seem that quite likely a properly co-ordinated program between the accounting and operating group, which would involve a combination of the two general methods

## COST AND MANAGEMENT

of approach just mentioned, would very often constitute a practical and satisfactory corporate program.

### ESSENTIAL ELEMENTS OF A COST CONTROL SYSTEM

A cost control system must provide the maximum of pre-determined control information with minimum record keeping. The essentials might include—

1. Proper plant layout, giving effect to a plan of production and cost centres which properly recognize the natural breaks in the flow of production operations.
2. Formal establishment of standard operations or processes.
3. Normal product specifications in respect to waste, scrap, shrinkage, etc., and based upon accurate material lists.
4. Reliable standards of operation based upon ultimate research having determined the "one best way" of efficient operation. This contemplates possessing a competent organization and staff capable of establishing these standards.

### PROPER PRODUCTION PLANNING AND SCHEDULING OPERATIONS

It will be recognized from this list that an over-all accounting, costing, and financial plan must precede all of the above essentials. Without it, business is operated by guesswork, decisions will be erratic and your cost control program becomes a matter of purely "post-mortems". No ship can be sailed from port without having a destination, along with compass and charts to guide the course. Most certainly management cannot successfully steer a course without a systematic plan of operation for every element of the business. Lack of planning will very shortly sound a death knell in the form of idle or inadequate facilities, non-productive workmen, and excessive inventories.

None of us probably expect to do perfect planning, in fact, it is not essential for control purposes, but a certain amount is imperative. Decisions are required involving the employment of assets, and the future course of the business in order to achieve certain results. By careful planning, the variations exposed by comparisons with actual results are more realistic and dependable. Planning must pertain to all elements of the business.

### A SYSTEM OF STANDARD COST AND BUDGETS— FOR COST CONTROL

#### The Budget Phase:

Any system of planned standard cost must be thoroughly co-ordinated and integrated in a system which comprises a master profit budget.

After all a budget is a point of view. It is a means to the end of sounder thinking. It challenges the ability to plan and organize. "Without vision, thought perishes." People without vision cannot forecast or budget.

## COST REDUCTION THROUGH COST CONTROL

Forward looking management will not only use this tool and its accessories, but will welcome the stimulus of analysis and re-analysis, as well as the study which it requires.

The function of a master profit budget is to set up a complete summary of the projected company profit picture based on standard selling prices, standard profits and standard cost of making and selling. The scope is such as to cover all of the activities. It provides the control of the objectives, aims and purposes of the entire organization.

Cost reduction programs stem from the allowances controlled by the master profit budget.

A necessary preliminary for the establishment of budgets—particularly for the master profit budget—is a forecast of sales activity. It would be worthwhile to take such a step in any event because it requires the sales manager and the sales department to analyze their markets more thoroughly than they ordinarily do. After all it is the responsibility of those in charge of marketing and distribution problems to answer two searching questions, "where is our business coming from?" and "how do we propose to secure this business?"

The forecast must be for a definite period, preferably for a year, and for all the products. Most businesses have a variety of products which are capable of definite classification in groups of related items. Both quantities and values are needed. The values most always be the standard selling prices. These values are determined by applying to the total standard costs of the included items, the standard mark-ups. By this means, goals are established for production planning, sales volume, gross profits, net profits, etc.

The primary purpose of forecasting is to force intelligent thinking and analysis of marketing problems. The tabulation of the forecasting results serves as the basis for the master profit budget. The by-products are the disclosure of the "mark-up variance" which measures the difference between the standard selling prices and the actual selling prices, and the "variety variance" arising from a comparison of the actual profit in each class of product with the budgeted profit.

### **The Accounting Phase**

The principle of determining and using normal activity is of primary importance in the operation of standard costs. Upon the determination of this normal activity rests the calculation of the standard costs of the products, the establishment of budgets, the schedules of operation, and the pre-determination of the profit objective.

In establishing the normal activity of a company our thinking must include both the physical capacity of the plant and the average sales demand that is to be expected. Neither physical plant nor sales potential considered alone is sufficient as the basis for setting normal activity.

To set up the best balance between sales and plant, both the productive facilities and the market demand must be considered. Normal activity is the utilization of physical plant that is necessary to meet the average commercial demand over a period of time long enough to level out the peaks which come with seasonal and cyclical variations.

## COST AND MANAGEMENT

Prior to the development of factory budgets a sound organization of departments which will adequately reflect the well defined lines of authority and responsibility necessary to control features of standard costs, is essential. The most practical method for allocation, collecting, and controlling costs of direct labour and expense is the use of the department as the basic unit to be costed. Under a standard cost plan, departments are termed "cost centres". The group of activities comprising a cost centre may be a physical entity located in one definite part of the plant. But this is not always true. It often embraces equipment of like or similar type regardless of location. Or, again, it may be various scattered machines or operations. Usually however, a cost centre embraces like and homogeneous activities, and functions under the definite authority and responsibility of one supervisor and his assistants. Care should be exercised in the determination of cost centres. No more than are absolutely necessary should be set up — in fact, the fewer, the better.

Due to the multiplicity of operations, conditions and methods which are faced in most factory organizations, it is a basic need or principle that some common denominator as to measurement of the operations throughout the plant be selected. Several different units of measurement are available for use as common denominators. The following six common denominators represent the ones that are most frequently used. Others may be developed to meet special requirements: Man hours, machine hours, quantity or weight, direct labour dollar, total expense dollar, dollars of sales, etc.

Some of these units of measurement have distinct limitations.

To skip quickly over the routine part of the factory budgets, let us say briefly that it requires "standards for everything". Standards are required for all the features of cost and accounting controls. Some of the important kinds are: Material: prices, yields, usage. Manufacturing: direct labour, indirect labour, supplies, services, scrap, spoilage, rework. Non-manufacturing (overhead or burden depts.): wages, supplies, services.

For all of these items standard allowances for cost expenditure in relation to the amount of production volume being performed must be established in the budget. Due recognition, of course, having been given to the volume of activity which is contemplated in the master budget or operations.

The behaviour of expenses requires a study of its own. Suffice to say that all expenses do not have the same characteristics. They divide themselves into roughly three classes, viz., fixed (unchanging irrespective of the activity in the business), variable (having a degree of fluctuation which will probably follow the pattern of changing volume of operations), and mixed expenses, sometimes called curved expenses, (which comprise items which are partly fixed and partly variable, and so do not follow completely the changing pattern of volume activity).

Time does not permit any more than a cursory look at these extremely interesting, though technical aspects of a standard cost system. For those interested in a more complete explanation of it, there are

## COST REDUCTION THROUGH COST CONTROL

various ways in which further explanations can become available to them.

### CONTROL FEATURES OF STANDARD COSTS

Coming back to our subject more closely, it seems to me that herein lies the opportunities of a cost reduction program, and therefore demands our close attention.

There are five principal control features provided by means of standard costs:

- Personnel performance (of entire organization)
- Cost of products
- Net profit—analyzed
- Accounting control simplified
- Excess costs.

Executives, supervisors, foremen and wage earners, all human beings, need control. We tend to "fly off the handle". Some must be guided and spurred to action, others must be restrained. That is why we have rudders on ships, control devices on airplanes, brakes on automobiles, and variances from standard costs.

There is nothing new about setting goals or targets. All games have competitive goals.

The newer feature is adapting these old, tried and true mechanics to cost accounting. In a situation where we have the organization set-up of duties and responsibilities,—but this is not adhered to,—cost control comes in. The organization corrective requirements are adequately covered by a standard cost set-up.

Men and women are selected for various responsibilities as managers, superintendents, foremen, supervisors, department heads, clerks or workmen. If all were left to their own devices and preferences, little would be accomplished. Man's best work is done under stimulus of some kind. Inspired leadership, definite tasks and skilful training, constantly controlled, work wonders.

Standard costs make people think. Supervisors, administrators, salesmen and all others will do a better controller job if some stimulus induces thinking—thinking especially about what lies ahead and what to do about it.

Having developed a proper organization of personnel duties and responsibilities, having budgeted all activities with allowances under each authority in each cost centre, having planned the financial and cost accounting procedures in parallel with organization and budgets—some measure of control must result.

The mere knowledge that controls are there, serves. With standard cost control each supervisor knows what his men should do and he knows whether they are doing better or worse than standard. It might well be said that budgets and standards are not primarily charts, schedules, figures or statistics at all. They are rather a point of view —shall we look backward or forward?

The proper way to control the cost of products is to use only predetermined costs. So-called "actual costs" may be estimated at any

## COST AND MANAGEMENT

time for your various purposes by applying current cost ratios to elements of the standard costs. Such treatments must not be permitted to lead to the confusion of thinking that such estimates are cost.

Finally the control of unit costs of products is secured. Each element of the cost of each product is carefully recorded from reference to the standard schedules of material price and use, direct labour operation hours and average budgeted hourly rates, and combined with expense rates from the budgets for each productive cost centre. Thus at this point we arrive at standard manufacturing cost—inventory value—of products.

To arrive at the total cost, there must be added the standard cost of administration, marketing, engineering, delivery, and profit and loss items.

The statistical statements and the standard cost controls must tie in with the general ledger accounting control.

The standard net profit is indicated by the sales forecast both for the total and for product classes. It is also recorded as the final goal in the master profit budget. The procedure is to add to the total cost a standard mark-up ratio for each class of products. Thus we arrive at the standard selling price and standard net profit.

By the use of the sales analysis and earnings statement a complete control of profits is secured. When a new product is added, the standard cost plus the standard mark-up indicate the profitable selling price, and if sold for less the degree of lost profit is immediately known.

When the volume is different from that forecasted, either total or for any class of product, the effect of volume is under control. And when the variety is different from the plan, the effect is a matter of control.

By means of the treatment of the general ledger accounting in relation to standard costs and to simplified planned statements, the control of all accounts is made complete.

All the accounts in the general ledger are controlling accounts, preferably consisting only of total entries made periodically.

References for information or any kind and all analysis are the function of the statements. Details are recorded on them rather than in the ledger accounts. Statements prepared currently are earnings, balance sheet, variance summary, cost and variance (departmental), sales and profit analysis with such special supporting schedules as may be necessary.

Inventory value is at standard manufacturing cost, tempered by reserves as desired; manufacturing variances are held in the variance account; all other accounts are at actual values.

A complete tie-in of costs and financial accounts is essential. Executives have the benefit of prompt, accurate comparative data.

By the proper use of variances, management may secure control of all expenditures. All variances are shown by simple statement presentations in dollars—daily, weekly, or periodically. In any case, the variance is the difference between the established standard and the actual performance.

## COST REDUCTION THROUGH COST CONTROL

These differences are functional and departmental variances from standard costs. By such means the excess costs are disclosed, not by products, but by elements of cost.

Simple performance records of variances from allowances produce indicators of the control action which is necessary. These same variances present the finest possible opportunity for many incentives.

Many times inefficient or high costs exist because of lack of intelligent cost analysis telling management where to look for leaks. In today's situation many cost items cannot be reduced, viz., wages, materials, etc. Therefore we must look for the less obvious places for carrying out our cost reductions program of eliminating the needless or unnecessary expense. Look for some of the following:

**Materials:** Excessive prices, spoilage, product yield (quantity), product yield (quality).

**Labour:** Excessive training time, general efficiency (as evidenced by make-up pay allowances), excessive overtime (might indicate improper planning or scheduling), increased rates (improper use of the rate structure), enforced idle time.

**Sales:** Sales volume, emphasis of most profitable lines for sale, mark up.

**Other items:** Excessive supervision costs, excessive maintenance costs, failure to absorb overhead (due to low volume of output).

## CONCLUSION

During the recent war-time period there was developed a technique which was intended to find out the one best way of doing a job. It was called job methods training (J.M.T.). In that technique there were employed six magic words which emphasized the approach to the analysis phase of the job. They were "why—what—where—when—who—How". Our company have employed them very successfully in its particular approach to its sales engineering problem in order to assist its customers, by finding the most efficient business forms for their needs, through eliminating unnecessary forms, operations, activities, motions, etc. I suggest to you cost accountants that irrespective of the formal cost accounting system which you have in use, that the employ of these "magic words" in your cost reduction programs will be a useful and valuable supplement.

In this period I have endeavoured to convey to you the point that there does exist a fundamental, yet relatively simple, cost approach to our cost reduction programs of to-day. We must understand those fundamentals and be capable of applying them to our cost reduction problems. I recall the following story having been told at a cost convention that I once attended. It was of an old pastor of the African Methodist Episcopal Church, who was called upon to define the difference between Fundamentalists and Modernists. The argument had reached the warm stage in his flock, so that the good old parson was required to search for a most adequate and diplomatic answer. "Well," he said, "it's like this. The Modernist says 'they ain't no hell'" and the

## COST AND MANAGEMENT

Fundamentalist says 'hell they ain't.' I'll let you make your choice but I think that perhaps I must agree with the Fundamentalist that unless there is employed a simple, sound and effective control plan pointed towards a reduction of cost, there will undoubtedly be a special, reserved seat down below for both management and the cost accountant.

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### Efficient Management Through Cost Control

By H. S. IRELAND

Executive Assistant to the Management Committee  
Dominion Rubber Co.

It is an honor and a privilege to be here with you this afternoon. On those occasions in the past when I have had the opportunity of discussions with the Society of Industrial and Cost Accountants of Canada, I have always ended up by acquiring a great deal more knowledge and information than I have been able to impart in return. Today is certainly no exception, since the previous address by Mr. Nurrish, has been most interesting and instructive.

Another condition for which I am very thankful, is the fact that the subject was picked for me. When one is asked to make a few remarks on an occasion such as this, the first big problem is what to talk about. Once that is settled, the second and sometimes more difficult task, is to determine what name to give it. Both of these tasks have been done for me, the subject of "Efficient Management Through Cost Control" having been handed to me on the proverbial silver platter. Let's take a few moments to analyze this subject.

In the first place it accepts "Cost Control" as an accomplished fact. It assumes, and quite rightly, that certain methods of Cost Control have been developed into a routine. There is no suggestion that such methods and routines have reached a degree of perfection that precludes any further additions or changes in the future. However, if you had wanted me to talk about improved or extended cost control routines, the subject would have indicated that fact. For purposes of this discussion we are completely justified in accepting as a basic premise the fact that Cost Control routines do exist, which Control routines can have a decided bearing on the efficiency with which Management performs its particular function.

It is particularly interesting that this subject—which was probably decided upon mutually by the Executive of this Society of Accountants and by Mr. Chappell, who is an Accountant—should refer to **Cost Control**. It is well recognized today that the work of a Cost Department should provide both control and accounting data. It was not a great many years ago that the Cost Accountant considered himself as being almost entirely an historian, interested only in the accurate recording of what had taken place in the past. It was up to somebody else in the organization to use this historical data for control purposes, and if such

## EFFECTIVE MANAGEMENT THROUGH COST CONTROL

data, as assembled from an accounting viewpoint, did not readily provide this control, then that "someone else" whose responsibility was control simply had to make the best of it. Only four or five years ago, when the advantages of the control aspect were being recognized, anyone who suggested that this control function should be given priority over the accounting function had his ears very thoroughly pinned back by the "Dyed in the Wool" Accountant. I know whereof I speak, because I have had this happen to myself on more than one occasion. That the true importance of the Control function in Cost Accounting work is now properly recognized is a tremendous step forward in business management, and it is a step forward which this particular Society is responsible for to a considerable extent.

While it is getting away from the true subject for a moment, let us pause to remind ourselves that this control function can exist only when we have thoroughly rid ourselves of the old idea of monthly reporting of totals and averages. Control exists only when the proper persons have detailed knowledge of specific and particular facts, and are thereby influenced to take effective action. This specific and detailed knowledge provides the control at the time that it is needed, and also makes available the basic data required in due course for the Cost Dept. to perform its necessary accounting function. If we ever let ourselves slide back to the old idea of "Accounting Requirements First"—Control Data as and when we can get around to it—then if Management succeeds in being efficient, it will succeed in spite of, and not because of, the Cost Accountant.

Returning to our analysis of our subject, just what does the word "Management" imply? What is "Management's" job? No short answer would be complete, because so many factors are involved;—many important factors which have to do with Industry's responsibility towards its employees, to its customers and to its shareholders. But, the successful accomplishment of all such duties depends on one thing —PROFITS.

There is no need to plead the case for profits with this group. We all recognize clearly that if Industry as a whole made no profits for any appreciable period of time, there would be no funds made available to:

- (a) Carry on development work to improve quality and value,
- (b) Develop or purchase new equipment to increase efficiency,
- (c) Pay for the cost of improved working conditions,
- (d) Finance employee security programs,
- (e) Pay the dividends which encourage the investment of private funds in Industry,
- (f) Pay the Industrial Income Taxes which form a not inconsiderable portion of our Government's income.

Therefore, without profits, Industry would very soon fail to meet not only its responsibility to its shareholders, but also its responsibility to its employees, its customers, and to our Country as a whole.

So we are not adopting a selfish or short-sighted attitude when we say that Management's job depends upon its ability to deal profitably with existing circumstances:—

## COST AND MANAGEMENT

First—To earn profits ethically,  
Second—To use profits wisely.

Just as an aside, the second factor is not necessarily simpler than the first. Very often, a higher grade of business judgment is required to know how potential profits should be used than to know what needs to be done to earn the profits in the first place.

Let's look for a moment at that word "PROFIT"—one of the most misunderstood words in the business vocabulary.

To a customer—PROFIT means higher cost.  
To an employee—PROFIT means restricted earnings.  
To an investor—PROFIT means a usually inadequate compensation for thrift.

Obviously, they are not all correct, though there is some truth in all of them. Truth is many sided, and probably the truth in this case would define PROFIT—**properly used** as:

The life-giving force which makes possible a constantly continuing improvement in our standard of living.

Having decided that it is management's job to:

First—earn profits ethically  
and

Second—use profits wisely,

we should recognize that, at the present time, Cost Control functions contribute only to the first part of the job—that of earning profits ethically. There will come a day when our outlook as Industrial and Cost Accountants will be extended to the point where we can also give to Management much needed advice as to how profits should be used wisely. In other words, the Accountant will be thinking beyond the relatively narrow confines of his own Company to achieve a co-ordination of thinking on behalf of Management, for the purpose of using profits in such a way as to constantly strengthen our business system of free enterprise.

There is a lot of talk these days on the value of the free enterprise system as compared to a controlled economy. We know that the system of free enterprise has functioned in the past to the betterment of the great mass of the population, and we believe that it can continue to do exactly the same thing to an even greater extent in the future. However, if we are to avoid a planned economy, then most certainly business must accomplish a co-ordination of thinking, and a unanimity of action, to a greater extent than has existed up to the present time.

Perhaps you are thinking that all this is outside of the Cost Accountant's function. However, please remember that it was not very many years ago that the Cost Accountant also felt that control of costs was outside of his function. If you will bear with me for a few moments, I believe that I can show you how the Cost Accountant can and should contribute strongly to this aspect of our business economy. Previously no indication was evident of any objection on your part, when I said that

"Control exists only when the proper persons have detailed knowledge of specific and particular facts, and are thereby influenced to take effective action."

## EFFECTIVE MANAGEMENT THROUGH COST CONTROL

If we still agree with that comment, let's ask ourselves first, who those "proper persons" are—who is it that needs the knowledge? Obviously we must include the chief production executive and his assistants including the foremen directly responsible for production. Can we stop there? Are processes operated by foremen? No! Our list of "proper persons" must include the productive worker directly involved.

But control does not exist when we have imparted the required knowledge to the production worker. Control comes into existence only when the productive worker is influenced to take effective action. Let me repeat—**COST CONTROL EXISTS ONLY WHEN THE PRODUCTIVE WORKER IS INFLUENCED TO TAKE EFFECTIVE ACTION.**

We must not back away from that fact. The accounting profession has already progressed from the role of "recorder of past results" to that of "contributor to future results". When the accountant took that step, he moved from the static field of dealing with "things" into the dynamic field of dealing with "people". If the accountant is to justify his belief in his ability to help Management in the realm of cost control, he must accept the responsibility of helping effectively to influence the thoughts and actions of people. Remember, those who must be influenced include the production worker. Ask any Industrial Engineer or any Foreman or any Manager how much it would mean to his company if he could be sure of:

### **FULL AND ENTHUSIASTIC EMPLOYEE CO-OPERATION IN EVERY JUSTIFIABLE COMPANY ENDEAVOUR**

After asking this question, give him at least one hour in which to blow off steam, wave his hands in the air, pace the office, and generally behave like a thoroughly frustrated individual. Only when he has reverted to his normal condition of approximate sanity, ask this next question.

"Why do we not have such employee co-operation?"

If by that time he has cooled down enough to think clearly, his answer will probably go something like this—"We do not have their co-operation because the average employee has only the vaguest notion of how business works and his part in it; and those vague notions he does have are mostly wrong."

Remember that, to the employee, PROFITS mean restricted earnings. But cost control aims at maintaining or improving profits. It is therefore perfectly logical to expect that the average productive worker should be lukewarm to many cost control endeavours, if not actively antagonistic. Putting it in its broader aspect and quoting a recent bulletin from the Canadian Manufacturers Association—"Let's not delude ourselves that the worker today is sold on the free enterprise system—because he is NOT sold".

One other point must be stressed—the average productive worker today is not dumb. His I.Q. rating is good. He does not lack intelligence, but he does lack knowledge. Who is to blame if the system of

## COST AND MANAGEMENT

free enterprise has not been sold to the numerically largest group of people engaged in it? Obviously, the blame rests fairly and squarely on the shoulders of those persons who have accepted the responsibility of making that system function successfully. This group—numerically the smallest—calls itself "Management";—and the accountant is a member of that group. Just to keep the record clear, I am also a member of the Management group and cannot avoid my own share of personal responsibility for failure to sell our system of free enterprise.

But, nothing will be gained by wallowing in sackcloth and ashes, unless by doing so we create a sufficient degree of self-dissatisfaction to drive us to do something about it. And something CAN BE DONE! Furthermore, something can be done by the accountant. A moment's thought will convince us that we only need to instill six basic facts in the productive worker's mind in order to sell our free enterprise system. Only these six facts,—

- 1—That "free competition" gives him the best value for his money spent.
- 2—That "free competition" results only from the "free enterprise" system.
- 3—That the "free enterprise" system depends on profitable operation for its survival.
- 4—That the productive worker is therefore deeply concerned in maintaining profits, purely from the selfish motive of personal betterment.
- 5—That Management is just as anxious as Labour to maintain wages at as high a level as possible, in order to create the consumer spending power that supports industry.
- 6—That to secure this objective of high consumer demand, selling prices must NOT be increased to offset wage increases. This can only be done when greater operator productivity keeps pace with wage increases.

Once the productive worker understands these six facts,—and he is fully capable of understanding them—overnight his attitude of passive or active resistance to profit improvement will change to one of enthusiastic support. Why?—Because he is a person with a high degree of self-interest, just as you or I, and he will support what is obviously good for him personally.

A few moments ago I said that there was something that the accountant could do to get us out of our present muddled thinking. That "something" is now apparent, for it is fully obvious that the accountant's training and daily work fits him admirably for producing the data needed to decisively prove all of our six facts. In our struggle to sell free enterprise, facts are the only suitable ammunition—accurate facts—facts that compel thoughtful attention—facts that will stand up under the severest cross-examination.

In agreeing that the accountant deals in just such facts, you can rightly ask what more he can do beyond making them available. Here are three specific things that the Accountant can do.

First, he can keep constantly in his mind the fact that the data he presents must be used to compel the thoughtful attention of productive

## EFFECTIVE MANAGEMENT THROUGH COST CONTROL

workers. The Accountant is used to producing data to influence the thinking of Management. In doing so a great many things can be taken for granted, which must be brought out clearly and emphatically if the productive worker is to be led towards a better understanding of the business system in which he functions.

Consider as an example the usual Profit and Loss statement wherein we are used to seeing the Material, Labour and Burden cost of goods sold deducted from net sales to arrive at gross profit. The amount paid out to the employees as direct labour, looks like a pretty small percentage of the total intake from our customers. Now, maintaining the same high degree of absolutely accurate accounting, let's swing those figures around a little bit. Let's list as our first group of items to be deducted from our net intake from our customers, those expenditures which are unavoidable if we are to do business at all.

- 1—Money paid out to our suppliers for materials.
- 2—Money paid out for the supplying of needed services, such as coal, electricity, water and etc.
- 3—Money turned over to our government, including Sales Tax, Municipal Taxes, Income Taxes, Duties and Excise Taxes.

When we deduct those unavoidable expenditures from our net sales, we arrive at a figure which may be termed as "Income Available for Distribution".

Then, suppose we show how much of that available income is paid out to the members of the Company as Salaries and Wages, including both direct and indirect wages for all purposes.

Do you know what percentage of your Company's available income is being so distributed to all Company employees? If you do not know, you should;—I will wager that it will run in the 85 to 90% bracket. This presents an entirely different picture to that which would be gained from an ordinary Profit and Loss statement, and it is a picture which is thoroughly true and correct in every respect. This is only one example of the line of thinking that we must follow if the data that we prepare is to be effectively used to compel the thoughtful attention of the productive worker.

The second thing that the Accountant can do, is to consider himself as a line of communication. Let us always remember that Managers usually occupy their positions because of many years of practical experience. Since that experience includes gradual progress through many various lines of company endeavours, it is quite probable that a long length of time has elapsed since a top level Management Executive has had very much close personal contact with the workers in his plant. No matter how friendly and approachable he may be, he is unavoidably insulated to a great degree from any gradually progressive change in worker attitude. True he can read a great deal about it in business publications, and he can listen to many speeches on this subject, but it is a common human failing to lull one's self to sleep with the idea "that it's all very true—for the other fellow".

True there is a direct line of authority from the top management executive right down to the productive worker. However, that line of

## COST AND MANAGEMENT

authority running from President to Worker leaves much to be desired as a line of communication running from Worker to President. On the other hand, the Accountant in developing his routines of Cost Control, inevitably comes in pretty close contact with the thinking of the productive worker. The Accountant also, in making his report on operating results, has the direct and undivided attention of a high level of Management. The Accountant therefore should accept the responsibility of keeping top management levels up to date on worker attitudes.

The third thing that the Cost Accountant can do, is to provide very strong support to the Personnel Relations function in the organization. There is no suggestion that the Cost Accountant should usurp the functions of the Personnel Relations Manager. The Accountant prepares the ammunition and the proper parties within the organization use that ammunition. But how many Cost Accountants, after preparing a forecast of future potential profits, and upon seeing an end result that leaves much to be desired, then looks with a jaundiced eye at the amount contained in the budget for Personnel Relations expense? Now we are getting back to our problem of using Profits wisely. Before recommending the usual budget cutting technique which Managers have learned to expect from their Accountants, let's take some time to examine the subject from the standpoint of long term cost control.

Let's have a keen searching look at the following conditions in our own plant.

- 1—Direct materials wasted due to careless handling.
- 2—Time wasted on non-incentive jobs.
- 3—On incentive jobs, refusal to work on production standards that are provably fair, resulting finally in a negotiated standard which includes to a greater or lesser extent an allowance made simply to avoid serious trouble.
- 4—Careless use of supply materials, creating excessive costs.
- 5—Thoughtless use of machinery, creating needless maintenance and repairs.

Those are only a few of the many factors which must be reduced if cost control routines are to be effective. After investigating these conditions in your own plant, make a sensibly conservative estimate of how much money your Company could save, if it could secure enthusiastic employee co-operation in every justifiable Cost Reduction endeavour.

When you have that figure in your mind, and I will wager that its dollar value will amaze you, next remember that past experience in business for a good many decades, has been that results are most successfully secured by specialization. Your Personnel Relations Manager is, or should be, an expert specialist in the field of influencing people. Now that you have a measure of the dollar value to your Company which can result from successfully influencing your productive worker, decide whether or not your Company budget for Personnel Relations activity is adequate to do the job required.

Having built up this background of knowledge, use your accounting ability to prepare a report which will influence your manager to set up and adhere to a Personnel Relations program which will incorporate a strong measure of economic education. Such a program would be

## EFFECTIVE MANAGEMENT THROUGH COST CONTROL

designed specifically to increase your Company profits through securing enthusiastic worker co-operation in your cost reduction endeavour. If you do this, you will give your Personnel Relations division a type of support which they are sadly lacking at the present time,—and you will be forwarding your Cost Control program.

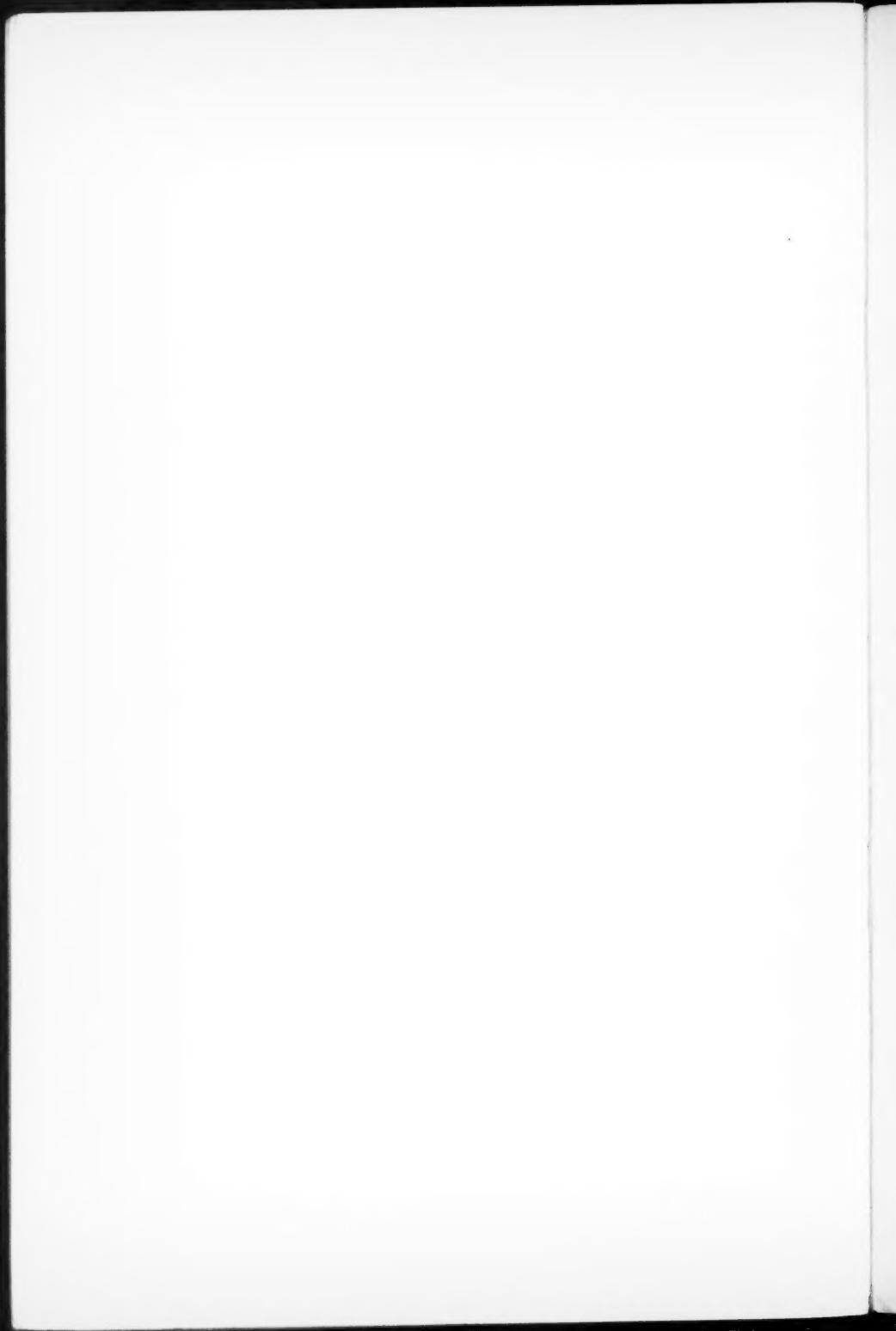
I will make no attempt at this time to suggest how this budget should be used. The subject of economic education is extremely broad in its concept, and all too few Companies are making use of the advice which is currently available.

Our own Canadian Manufacturers Association has set up a specific department specializing in Personnel Relations, and the work of that department is available freely to all members of the C.M.A.—which probably includes all the Companies represented here today. A few days ago I had the opportunity of listening to Mr. Leonard E. Read, President of the Foundation for Economic Education in the States. This is a non-profit organization, supported by funds donated from sources that recognize the need for economic education. Mr. Read stated that more than 1,000 hours of technical study go into the preparation of one hour of reading material turned out by his organization. To the best of my knowledge, this material is available to anyone who cares to ask for it. You can rest assured of one thing; once you have sold your top management on the value to your Company of instituting a program of economic education, you will find that there is a wealth of competently prepared material available to enable you to spend your budget wisely and effectively.

No matter from what angle we approach the subject of "Efficient Management Through Cost Control", we inevitably reach the conclusion that our level of success will depend upon our level of economic knowledge; and when I use the term "our level of economic knowledge", I am referring to the average level of all members of industry including particularly the productive worker.

A few moments ago, I spoke of a Mr. Leonard E. Read, a man who has spent many years in studying this particular problem. He is without doubt one of the leading authorities on it in the North American continent. If he were here today, I would thank him for providing my closing comment for me, since it is the same one that he made in closing his recent address to the Quebec division of the Canadian Manufacturers Association. Here it is.

"Someday someone will come to the forefront, and by his thorough understanding of the principles involved plus a high level of ability to explain these principles with clarity and conviction, he will lead us to a firm basis on which our system of free enterprise will continue to grow with the full and enthusiastic support of all the people involved. Do not waste one moment of your time looking for this leader, instead use all your efforts and ability to be him yourself."



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